

CENTRAL INTELLIGENCE AGENCY

12 July 1954

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Critical Factors Underlying the Viability of a South Vietnam State (For Board Consideration)

THE PROBLEM

To estimate what factors would be of critical importance in the establishment of a viable South Vietnam state after the withdrawal of the non-Communists from North Vietnam.

DISCUSSION

1. We consider the following factors to be essential in the establishment of a viable South Vietnam state:

a. That the government of South Vietnam receive international recognition and support. Maximum political benefits would accrue if the military strength of the US and UK were committed to protecting the integrity of the south Vietnam state and if the Colombo powers extended diplomatic recognition and support.

b. That the line between North and South Vietnam and the borders of Laos and Cambodia be secured. In the event of a cease fire, this would have to be done by means of an international guarantee (preferably including the US and the UK), combined with international supervision. If no cease fire obtained, substantial outside forces would be required to secure the borders. The location of the north-south border is not a critical factor so long as it: (a) bisects Vietnam north of Tourane and south of Vinh; and (b) is so drawn as to facilitate international supervision and military defense.

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c. That South Vietnam be independent of France and that this be manifested in terms visible to the average Vietnamese. Unless this were so, Vietnamese groups would probably withhold their support and they might join the Viet Minh "nationalists". This would be all the more likely if they were not convinced at the outset that unification of Vietnam was the long-range goal of the new government. Although the government probably could not maintain the necessary appearance of independence while holding membership in the French Union as presently constituted, the Vietnamese might be willing to be members of a less formal organization, somewhat similar to the British Commonwealth, if the French in return were willing to give up their dominant economic position in Vietnam.

d. That the government be capable of providing physical security to the Vietnamese. Maximum political advantages would accrue if this were accomplished by: (a) the withdrawal of Viet Minh regulars and guerrillas through international agreement under effective international supervision; and (b) the establishment of a competent national police force, probably drawn initially from Vietnamese army units. Provided that South Vietnam was not required for the short term to assume more than a minor share in the defense of its borders, adequate forces would probably be available from among present Vietnamese forces in Central and South Vietnam for the establishment of such a force. Over the longer term, it would be essential that the Vietnamese leaders be assured that a national army would be established on a parity with the Viet Minh forces in North Vietnam.

e. That the government achieve short-term economic viability by:

(i) reducing the foreign share of national income; (ii) exporting sufficient raw materials, principally rice and rubber, to pay for imports of manufactured goods; and (iii) obtaining adequate technical and financial assistance to support Vietnam during the initial period. It would probably be possible to hold the balance-of-payments deficit to \$200-250 million annually if the Vietnamese could achieve small increases in rice and rubber exports while eliminating the large quantities of luxury goods presently imported. A sizeable amount of this deficit would be met if the US continued to give financial support to military programs in Indochina. The period of financial support would probably be at least five years, although the amount required would probably diminish toward the latter part of this period.

f. That the new South Vietnam government quickly establish a reputation for honesty and efficiency. Present widespread corruption and graft would have to be reduced or eliminated. If an honest, effective government were established, it would not be essential in the short term to hold national elections. Administrative reform of the extant required would be impossible under the present leadership of Bao Dai and his entourage.

g. That the Vietnamese provide a few leaders and a large number of honest and competent administrators. Although relatively few Vietnamese have political training or experience, there are a few individuals who have displayed genuine leadership and others may emerge when an independent South Vietnam state is established. In any event, foreign ad-

ministrative assistance would be required for an indefinite period of time.

2. We consider that it would be possible, if all the critical factors listed above were present, to establish a viable South Vietnam state. We recognize, however, that the difficulties to be overcome would be enormous. Even assuming that the US and the UK were willing to give full support to a South Vietnam state and to guarantee its integrity and that France was willing to relinquish its political and economic dominance, it would be extremely difficult to organize an effective Vietnamese government in the chaotic situation which would undoubtedly exist following the signing of a cease-fire agreement between the French and the Communists. Such a government would have to establish itself as a rallying-point for non-Communist nationalist elements, even though it had accepted the loss of Tonkin and a division of the country, however temporary. Once established, the new government would be immediately confronted, in addition to the security problems already present in Vietnam, with the task of coping with a Viet Minh underground which would almost certainly be left behind as the Vietminh withdrew their regular troop formations. Moreover, even if international supervision of the borders was effective in preventing the movement of large military units, it would be impossible to seal the border against the infiltration of individuals. The government would therefore be the target of an increasing campaign of Communist subversion in addition to overt political pressures from the north.

*Note this estimate - it is the basis for my view on the election procedure*